



Memo

DATE: 19 December 2022
TO: Bryan Cosgrove, City Manager; Wilsonville City Council
FROM: Matt Lorenzen, Economic Development Manager
SUBJECT: Childcare, a workforce issue

Childcare accessibility and affordability have been top-of-mind across the country, state, and county for a rather long period, but public agencies and advocacy organizations have sounded the alarm particularly loudly in the past 2-3 years, as society endured the COVID-19 pandemic and now attempts to recover from it, personally, socially, and economically.

Lack of affordable and accessible childcare is a workforce and economic issue rather than simply an inconvenience or social issue—although it is certainly those, too. Lack of affordable care options forces many parents, disproportionately women, to forego work or education and training opportunities. In today’s economy, there are more jobs than qualified job seekers. Lack of a skilled workforce inhibits the growth of individual businesses and the economy at large. Furthermore, upward economic mobility for families in the United States, and particularly in the Portland Metro area, is predicated upon a double-income household. When one parent is forced to stay home it creates lasting financial hardship for families that persists even after the second parent returns to work; and for single-parent households the situation is even more dire.

There are not enough childcare providers to meet the needs of families. Available seats are prohibitively expensive, hard to find, and the quality of care provided often does not meet the needs of children and the expectations of families that are paying significant portions of their income for services.

The current state of childcare is untenable—it “hurts parents, hurts the economy, hurts childcare providers, and ultimately hurts children.”¹

How did we get here?

Basic economic concepts help us understand the current state of childcare in the country, state, county, and city.

A market failure

To say that the market for childcare has failed is not a hyperbolic statement, but rather an objective fact. In the school of economics, a “market failure” occurs when “free markets are unable to allocate scarce resources to the satisfaction of a (societal) need or want.”² If we continue to employ the terminology of economics, we would say that the *cost of production* requires a retail price most consumers are not

¹ <https://www.npr.org/2022/02/10/1079957911/what-to-do-about-americas-child-care-crisis> - accessed on 11/29/2022

² https://www.economicsonline.co.uk/market_failures/introduction_to_market_failures.html/ - accessed 11/29/2022

willing or able to pay. Consumer demand exceeds the ability of producers to supply enough of the good at a market-competitive price. When supply is insufficient to meet demand you find all the issues we now see surrounding childcare—wait lists, poor quality (a consequence of providers trying to lower the cost of production), limited offerings, and high prices.

A seller's market for labor

We often think of a seller as a purveyor of goods or services to consumers. But, each individual participating in the workforce is also a seller—a seller of their own labor. In today's economy, it's a seller's market for labor—meaning, there are many willing buyers (hiring businesses) and those buyers are increasingly willing to pay higher and higher prices (wages) for labor because their profit margins can absorb the increase in labor costs and because there is a shortage in the supply of labor.

Childcare providers, however, which operate with razor-thin margins (often nonprofit organizations and small businesses), cannot absorb increasing labor costs the way some businesses can. As the wages remain relatively stagnant in the childcare space, laborers elect to go work elsewhere, even fast food restaurants, coffee shops, or retailers, where they can earn the same (or more!) with a fraction of the stress and no additional experience or training required. Childcare employees above the most entry-level positions must obtain costly formal training and hundreds of hours of experience in order to even be employable per State requirements. Those that obtain the experience and go through the required training are met with staggeringly low wages and they often burnout after a short stint of service.

As a consequence of these circumstances, childcare providers are unable to recruit and retain the teachers and teacher aides they need in order to staff their classrooms. When providers have insufficient staff to operate efficiently, they cannot enroll and provide care to enough children, and the business fails for lack of revenue to cover other fixed costs such as rent, utilities, insurance, etc. Furthermore, in many cases would-be childcare businesses never even launch in the first place because the business model is demonstrably insolvent in many cases.

A public good vs. a private good

A private good is what we often think about when we think of the so-called free market. Pizza, clothing, housing—these are all private goods. When I buy a piece of pizza, only I can enjoy it (unless I choose to share), and my purchase precludes you from enjoying that same piece of pizza. You have to buy your own in order to realize the benefit, but my pizza purchase and enjoyment does not affect you adversely in any way.

Contrast private goods with public goods, which often have many positive externalities and free riders. Externalities are those indirect costs or benefits to a person or society that was not a direct party to the actual transaction—the free riders. Education is often used as the classic example of a public good. An educated populace has so many positive externalities to the rest of society, the cost of which cannot practically be passed on to all the beneficiaries through traditional market mechanisms, we have agreed as a society to pay for and provide the service of education through the collection of taxes and a public education system.

Many argue that childcare is also a public good,³ with broad societal benefits (externalities)—which free-riding beneficiaries are not paying for, but enjoying nonetheless. The trouble is that childcare is treated

³ <https://www.npr.org/2022/02/10/1079957911/what-to-do-about-americas-child-care-crisis> - accessed on 11/29/2022

(in the United States) as a private good, and when public goods are left to the market, you are left with a partial or full market failure—an inefficient allocation of resources, an imbalance between supply and demand.

Where do we go from here?

While the Childcare Crisis is a systemic, national issue, we can shine a light on the issue and how it affects us locally, by acknowledging the extent to which it impacts our residents and our economy with irrefutable data. With key partners, we can then begin to invest energy, resources, and where appropriate, funding, in order to develop programs and policies that increase supply, affordability, quality, and cultural relevance.

Clackamas Childcare for All

In Clackamas County, less than 15% of children under 2 have access to a child care slot. This is preventing many adults from being able to return to work, which has greatly contributed to the workforce shortage that is preventing the economy from being able to fully recover from the pandemic. At the same time, childcare providers are having a hard time keeping and hiring staff. Wages are low and requirements are high making it less desirable than other jobs. This, unstable funding and difficulty finding and renovating facilities to meet licensing requirements create great challenges for existing or potential child care businesses, which further undermine efforts to expand childcare services to meet current needs.

~Clackamas Childcare for All, Issue Statement

Recognizing Clackamas County as a “childcare desert” and inspired in part by the success of a Multnomah County coalition that successfully passed a *Preschool for All* initiative in 2020, the [Clackamas Childcare for All \(CC4A\)](#) coalition formed in late 2021 and began recruiting partners to support and help execute on their mission:

“Within two years we plan that Clackamas County will be on a path to universally accessible childcare. There are many pieces of the puzzle to solve in getting there. Broadly, our path to universal care looks like:

- *Increasing supply*
- *Increasing affordability*
- *Increasing quality*
- *Increasing cultural relevance”*

In 2022, CC4A commissioned a study of the childcare landscape in Clackamas County. An advisory task force and several subcommittees were formed in order to guide and shape the work and findings of the consultant that was secured to complete the report.

The City of Wilsonville was invited to participate and support. Staff from Clackamas Education Service District, the Early Learning Hub of Clackamas County, and Clackamas Workforce Partnership are leading

the effort. Councilor Kristin Akervall has participated in several meetings, while economic development manager (EDM), Matt Lorenzen, has served regularly on the Finance and Strategy subcommittee.

In Spring 2022, the CC4A leadership team contacted the EDM and Government Affairs Director, Mark Ottenad, about the possibility to meet with City leadership (e.g. City Council) “to discuss what we [CC4A] are doing and discuss ways your agency/organization (City of Wilsonville) may be able to support the efforts.” Lorenzen and Ottenad agreed that quantitative and qualitative data from Wilsonville specifically ought to inform any conversation about the City’s ongoing support of CC4A—especially a potential conversation about ongoing or monetary support.

To that end, during Summer 2022, Mr. Lorenzen developed two surveys with input from Bridget Dazey, Executive Director of the Clackamas Workforce Partnership; the surveys were open for responses during the month of August. The first survey was directed to Wilsonville residents and employees, and the second was directed to Wilsonville employers. Both surveys were designed to assess to what extent, if any, childcare access and affordability affect Wilsonville families and employees and their abilities to work, provide, and contribute to the economy.

Full survey data, including summary charts and individual open-ended responses can be found as attachments to this memo.

Taking action

The first step must be recognizing the issue as something worthy of our collective concern and attention, formally if possible, in order to commit staff time and/or funding to identifying solutions.

Secondly, as a collective concern, determine what the city’s desire and capacity is to address the issue locally, working closely with other groups with similar goals and objectives.

Next, if desired, the City can act as a solution incubator, where we can explore and test programmatic as well as policy-level tools that, if successful, could be scaled to the county or even state level.

Attached:

- Clackamas Childcare for All, Task Force Study Report (draft)
- Childcare in Wilsonville, Survey Results, Summer 2022